

INQUIRY INTO LOCAL GOVERNMENT IN NEW SOUTH WALES

Organisation: Eurobodalla Shire Council

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**Eurobodalla Shire Council
Formal Deputation to General Purpose Standing Committee No. 6 –
Inquiry into Local Government in New South Wales**

Eurobodalla Shire Council is pleased to have the opportunity to make a formal deputation to General Purpose Standing Committee No. 6 - Inquiry into Local Government in New South Wales and provides the following comments in relation to the inquiries Terms of Reference.

(a) The New South Wales Government's 'Fit for the Future' reform agenda,

Eurobodalla supports the reform agenda. It is a sound process based on independent assessment and advice which we believe will result in improved performance for councils and outcomes for our community.

The Government has adopted the recommendations of the Independent Local Government Review Panel. To ensure the ongoing integrity of the process, the Government must now proceed to act on those recommendations related to the revenue side of the sustainability equation.

We have embraced the opportunity to develop an Improvement Proposal that builds on our existing strengths and demonstrates our commitment to financial sustainability, continuous improvement, and meeting our community's needs. Council is confident that through planned financial sustainability improvements, effective regional collaboration and strong local focus, it can continue to operate as a sound sustainable standalone council into the future.

This view is supported by the assessment of the Independent Local Government Review Panel who identified Eurobodalla as a 'No Change' Council.

(b) The financial sustainability of the local government sector in New South Wales, including the measures used to benchmark local government as against the measures used to benchmark State and Federal Government in Australia,

Eurobodalla recognises the need to improve financial sustainability in the local government sector, and prior to the Fit for the Future process had embarked on a path of improvement. However, Council concurs with the findings of the Independent Local Government Review Panel, and is of the firm belief that there is a need to address the current flawed funding system for Local Government, in order to strengthen the long-term financial position of councils. Key issues for consideration include:

- The rate pegging system in its current form impacts adversely on sound financial management particularly in regional areas with low rate bases. This system requires review.
- There is a need for more equitable rate calculation methods with a shift from land value to capital improved value as the basis for rating.
- Rate exemptions such as pensioner rebates and commercial activities in Forestry Corporation NSW and National Parks should be reviewed for sustainability and equity. National parks attract visitors and users of local infrastructure and Forestry Corporation NSW are a significant user of our rural roads, yet make no financial contribution to the provision, maintenance or renewal of infrastructure.
- Cost shifting from other levels of government has been documented and quantified, yet minimal action has been taken to address the issue.
- Financial Assistance Grants have been frozen for three years which has the long term impact of permanently reducing funding to councils. This model requires review to reinstate indexation and ensure equity in distribution, particularly to regional and rural councils.

These challenges were acknowledged by the Independent Local Government Review Panel which concluded that ‘a number of significant changes are warranted in order to strengthen councils’ revenue base within the overall framework of fiscal responsibility’.

Local Government receives just 3.5% of national tax income. Council recognises the expenditure restraint at a State and Australian Government level and the difficulty in providing additional funding. Nonetheless, Council will continue to advocate for more equitable distribution of the funds available.

For example, the introduction of rating based on capital improved value has the potential to increase Local Government tax income, particularly in metropolitan areas. This would enable Financial Assistance Grants normally allocated to these areas to be redirected to regional and rural councils demonstrating greater need. This would result in improved equity without further injection of NSW or Australian Government funding. This option was well documented in the ILGRP report.

(c) The performance criteria and associated benchmark values used to assess local authorities in NSW

I will not comment on this criteria other than to refer the Committee to Council’s submission to IPART on the ‘Methodology for Assessment of Council’s Fit for the Future Proposal’ and table a copy for the Committee’s information.

(d) The scale of local councils in New South Wales

Numerous factors influence what is perceived to be an 'optimal' scale for local councils. It is Council's view that in relation to scale, not one size fits all. Every council area has a different community, economy, geography and local needs which should be assessed and considered on merit for each individual case.

It is Council's view that local government areas should reflect a community of interest, maintain local identity and representation, and ensure that Council is best sized and configured to advocate for local business and infrastructure that supports the local economy. For example, Eurobodalla continues to advocate strongly and successfully for funding and improvements to the Kings Highway, a critical transport corridor for our local community. It is arguable that this same level of advocacy would not come from a larger council with differing priorities.

Many of the services provided by council, where they require or benefit from direct contact, are more effectively delivered to residents at a smaller scale to maintain responsiveness. Economies of scale for activities such as procurement can and are being achieved through appropriate regional collaboration.

**(g) Costs and benefits of amalgamations for local residents and businesses, and
(k) The known and or likely costs and benefits of amalgamations for local communities**

The amalgamation agenda appears to be driven by economies of scale and the thought process that bigger is better. There does not appear to be any overwhelming evidence that this is the case particularly in regional and rural areas. Similarly the likely benefits of amalgamation are in many cases uncertain, and difficult to measure objectively.

It is our view that the larger a council becomes the more remote it is likely to become from its community in terms of accessibility and participation. With the substantial transitional costs, any benefits are unlikely to be realised in the short to medium term.

Council believes that working closely with our neighbouring councils and State and Australian Government agencies to explore service delivery options, support and drive economic growth, and improved performance is a more workable approach especially in large geographical and regional areas such as Eurobodalla.

As outlined, the real issue for local government in regional areas is not amalgamations, but addressing the flawed funding model and driving ongoing efficiencies. Regardless of how the sector is configured, real and lasting improvement will not be achieved unless the funding framework is reformed.

The Government must continue with the reform agenda and allow 'No Change' councils, such as Eurobodalla, to implement their improvement proposals. Together these actions will contribute to positive change and improved outcomes for our community. It is for these reasons Eurobodalla supports the ILGRP recommendation that we remain as a standalone Council.

(l) The role of co-operative models for local government including the 'Fit for the Futures' own Joint Organisations, Strategic Alliances, Regional Organisations of Councils, and other shared service models, such as the Common Service Model,

Enhanced regional collaboration, both amongst councils and between other levels of government, has a key role to play in improvement and reform.

Eurobodalla is keen to explore the opportunities available as a result of innovative and diverse partnerships. As well as being an active member of the South East JO, the General Managers and Mayors of Eurobodalla and Bega Shire Councils have agreed to develop a corporate memorandum of understanding to address key areas of collaboration such as regional infrastructure development, contracts, policy development, and professional support and benchmarking.

Successful JO's should take a lead in the delivery of strategic outcomes, advocacy, supporting regional growth, intergovernmental collaboration and strategic infrastructure planning for regional and rural areas.

The JO model should foster collaboration, be flexible enough to meet individual community needs and consist of groups of councils with similar issues, and be able to operate with minimal cost.

Eurobodalla is of the opinion that a well-established regional organisation undertaking a range of shared services, joint planning and special projects can achieve significant cost savings and service improvements, develop additional strategic capacity, and at the same time retain the benefits of smaller councils – in particular a high level of local political representation and responsiveness to community needs.

(p) Any other related matter

Further to the financial sustainability considerations raised in both the Fit for the Future reform package and this submission, it would be prudent for the Government to commission a review of depreciation modelling in the local government sector with a view to standardising the approach across the State to reflect fit for purpose. This would allow for consistency in calculations and improve the ability to benchmark results in relation to key financial sustainability indicators.

I thank the Committee for allowing me to make this presentation and would be happy to answer any questions or provide additional information at the Committee's request.

Councillor Lindsay Brown
Mayor